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SUBJECT: ANSWERS TO KEY EMPOWERMENT QUESTIONS

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[11.](#) (SBU) SUMMARY. Several industry charters are non-compliant with Black Economic Empowerment guidelines, according to Teddy Daka, one of the original drafters of the Broad-Based Black Economic Empowerment (BEE) Bill. He also explained that sector charters would be issued as Codes of Good Practice, once approved by the Department of Trade and Industry (DTI), and that scorecards are just one way of measuring compliance with BEE targets. Daka said that a list of names for the National BEE Advisory Council is before President Mbeki and should be approved soon. END SUMMARY.

[12.](#) (U) Teddy Daka, one of the original drafters of the Broad-Based Black Economic Empowerment (BEE) Bill and a consultant to the DTI on the creation of the National BEE Advisory Council, met with several U.S. multinational firms on August 23 at the American Chamber of Commerce (AmCham).

ARE SOME SECTOR CHARTERS NON-COMPLIANT?

[13.](#) (SBU) Daka explained that a number of the existing BEE charters were drafted before the Broad Based BEE Bill became law and do not take into consideration its guidance for creating a document that truly transforms a sector through empowerment. Consequently, some of the early charters, such as Liquid Fuels, Mining and to a lesser extent Financial Services, will need to be redrafted. For instance, Daka pointed out that the Liquid Fuels charter does not even contain a scorecard, while in the Mining Charter, many of the scorecard criteria do not have targets but are simply yes or no questions such as, "Do you have a human resources development program in place?" According to Daka, this type of ambiguity in a charter perpetuates an environment where a concerted, specific industry target is difficult to achieve. Consequently, the Liquid Fuels charter will need a scorecard and the Mining Charter scorecard will need to be adjusted to include targets for all seven empowerment criteria.

WHAT ARE THE CODES OF GOOD PRACTICE?

[14.](#) (SBU) Daka said that the private sector charters would become Codes of Good Practice for their respective industries. Once drafted and signed by industry stakeholders, a charter is submitted to its host government department for approval (e.g., Mining Charter submitted to Department of Minerals & Energy, ICT Charter submitted to Department of Communications) and then on to the DTI for approval and publication in the government gazette as a Code of Good Practice for that industry. If either the host department or the DTI do not feel the charter meets the goals set out in the BEE Act, then they can send it back to industry for additional work.

[15.](#) (SBU) In addition to the charters, the DTI has nearly completed Codes of Good Practice governing the accreditation process for companies who will rate and accredit other businesses. Rating and accrediting companies will measure the performance of a firm against the BEE targets of its respective scorecard. DTI Chief Director for Black Economic Empowerment Philisiwe Buthelezi said that these Codes have been completed and are awaiting approval from the minister and the cabinet before they are published.

WHAT IS A BALANCED SCORECARD?

[16.](#) (SBU) According to Daka, there is no official government policy on the balanced scorecard. He said the scorecard in the DTI's Strategy for Black Economic Empowerment document

is a suggestion on how a balanced scorecard might look. Daka explained that the term "balanced scorecard" is simply a scorecard that measures performance in seven empowerment areas and is not by definition a scorecard that allows overscoring in one area to compensate for underscoring in another. Daka also said that a scorecard is not required, but is a suggested tool for measuring a company's performance against black economic empowerment targets. He explained that if industries can devise other ways to measure compliance with BEE targets that they are free to use them in place of a scorecard.

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WILL THERE BE A NATIONAL BEE ADVISORY COUNCIL?
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17. (SBU) The National BEE Advisory Council will advise government as well as the private sector on black economic empowerment. According to Daka, a DTI Task Team submitted a list of names for the Advisory Council to DTI Minister Mpahlwa nearly three months ago. The list is now before President Mbeki, who chairs the Advisory Council. Daka said that Mbeki reportedly was unhappy with some of the names on the list because it looked like a "who's who of black bourgeoisie." Daka expects that Mbeki will make some changes to the list because he wants people on the Council who have contributed to empowerment rather than those who have become enriched through BEE. Until the Council becomes official, nobody is providing this Advisory service. While DTI officials are the day-to-day functionaries responsible for communicating black economic empowerment policy to the public, Daka criticized many at DTI for insufficiently understanding the policy.

FRAZER